

WAR OFFICE SCANDAL AMAZES BRITAIN.

Sale of Metropolitan Not Fore-runner of Consolidation, Bankers Believe.

MOTIVE IS KEPT SECRET

Bankers Who Acted as Underwriters Became Dissatisfied, It Is Assented.

THOSE INTERESTED RETICENT

Mr. Whitney and Mr. Widener Decline to Discuss Sale of Kuhn-Loeb Holdings to Old Syndicate.

Some additional details became public yesterday in regard to the big traction deal by which the banking house of Kuhn, Loeb & Co. transferred their holdings in the Metropolitan Securities Company to the old Metropolitan Street Railway interests.

The sale of Kuhn, Loeb & Co.'s interest in the holding company of the Metropolitan Street Railway Company, it is learned, was made at least a month ago. Since that time the matter has been kept a profound secret. It is believed that few of the directors of the Metropolitan Securities Company were aware of the fact that the holdings of the big Wall Street banking house had been sold back to the Whitney-Ryan party.

Beyond the fact that further confirmation is obtained, the secret of the closing out of the connection which Kuhn, Loeb & Co. had with the surface traction lines of this city is as carefully guarded as ever. Prominent Wall Street bankers who were seen yesterday expressed the opinion that a merger of the Metropolitan Securities Company with the Interborough Rapid Transit Company could not take place in the immediate future on account of the strained condition of the money market. They were not inclined to believe that the sale was the forerunner of a consolidation, which would control the transportation lines of Manhattan. In fact, it was stated that no further consolidation was likely.

Dissatisfaction Expressed. The mystery which surrounded the sale, together with the fact that any statement either from the banking interests or from the Whitney-Ryan syndicate explaining the transaction, bred rumors that the banking house had become dissatisfied with the proposition which it undertook to finance. When intimations of this nature were expressed to the old Metropolitan representatives, it is stated, the latter made arrangements to buy out the bankers' holdings. One of the reasons which caused this alleged dissatisfaction was made yesterday, was in regard to the earnings of the old Metropolitan company and its financial condition.

Whether the banking house of Kuhn, Loeb & Co. was dissatisfied with the sale because of dissatisfaction over representations made as to earnings and financial condition is a question which is not publicly discussed by those in interest.

Mr. W. C. Whitney, who was seen at his place yesterday, declined to discuss the matter. He said he had been since his return from Saratoga, again denied knowledge of the sale. He said he had been at the office of the Herald on Saturday night and added:

"All I can say is that if the deal has been made I do not know anything about it."

"Have you conferred with Mr. Ryan lately?" he was asked.

"I have not seen or heard from Mr. Ryan within a couple of weeks," was the answer.

"Do you know where he is at the present time?" he was asked.

"I understood he was at his country place some days ago."

Further than saying that he was ignorant of the transaction Mr. Whitney declined to talk.

Mr. Mortimer Schiff, son of Mr. Jacob H. Schiff, who is a member of the firm of Kuhn, Loeb & Co., and director of the Metropolitan Securities Company, was also seen at Seabright, N. J., his country home, yesterday. Mr. Schiff declined to discuss the matter.

As to the extent of the holdings of the banking house of Kuhn, Loeb & Co. in the Metropolitan Securities Company, it is stated that the stockholders of that company told the stockholders of the Metropolitan Street Railway Company that the Metropolitan Street Railway was given the privilege to subscribe, and some of them did. The Securities Company had a capital of \$10,000,000. Of this amount it is said that the banking house syndicate supplied one-half. The sale therefore would involve at least \$5,000,000.

The news from Philadelphia that the scheme does not call for an additional loan on the stock indicates that the time being the new interest in control will not supply additional capital for the Metropolitan.

When the suits against the Metropolitan were brought, it was stated as one of the evidences of the company's standard that a thorough investigation of the company by the banking house before the capital was placed for disposal, and that after this investigation the company was found to be in a position to supply the amount required.

Attention of the financial centers was attracted to the suits and the charges made. Based upon reports made by two certified public accountants, who said they had examined the books of the company, an investigation of charges of misadministration by the officers and directors of the Metropolitan Street Railway Company was begun by District Attorney Jerome early in March.

The principal accusations made at that time were that the company had wrongfully paid dividends and that on June 1, 1901, when it was reported that the company had a deficit of nearly \$2,000,000, it was charged that none of the reports of the company's true financial condition. The announcement that District Attorney Jerome was about to take action on these charges caused a flurry in financial circles.

Sweeping denials of the charges made in the reports of the accountants were issued by H. H. Vreeland, president of the Metropolitan Company.

Mr. Widener Says He Knows Nothing of the Sale.

[SPECIAL DESPATCH TO THE HERALD.] NEWPORT, R. I., Sunday.—"I have been away several days and I know nothing of the transfer of Metropolitan securities by Kuhn, Loeb & Co.," said Mr. P. A. B. Widener to-night. Mr. Widener is here visiting Mr. George A. Hubn, of Philadelphia. Mr. Widener authorized Mr. Hubn to speak for him.

"Will it make a great merger?" was asked.

"Mr. Widener really does not know what it means. It is all news to him."

"Are the Philadelphia interests interested?"

"No, the Philadelphia interests are not interested. Mr. Widener and myself being traction directors. But we do not know anything about the sale of the Metropolitan securities or what is intended."

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